

## **Water & Sewer Rate FAQ's**

In 2008, Durham adopted a tiered rate structure for City water and sewer customers. After many years of using a uniform rate structure, the City began issuing bills for single family residential (SFR) customers using the tiered rates.

We understand that our customers may have questions regarding the How's, When's, and Whys of the tiered rate implementation. We have developed these "Frequently Asked Questions" to help you understand how tiered rates affect you, your family and your business. If you have further questions, please don't hesitate to call Durham One Call at 560-1200 or email us at [newwaterrates@durhamnc.gov](mailto:newwaterrates@durhamnc.gov).

### **What are tiered water rates?**

These are rates designed to encourage efficient water use by charging more, at different tiers or levels, as customers use more water.

### **Why are only Single Family Residential (SFR) customers subject to the tiered rate system?**

The key concept behind implementing tiered rate structures for SFRs is that this customer group has the most opportunity to curb or control their water use. Business/commercial customers have more consistent use of water that does not vary much. Industrial and institutional customers use water in their daily processes and operations; therefore their water use is relatively stable. ([Click here for SFR rate table](#))

### **If I use water in the higher Tiers, will all my water be charged at that amount?**

No. Bills will be calculated so that water used in the lower tiers is charged at that tier rate. Only the excess or overage will be charged at the higher rates.

### **Will sewer charges be assessed at the tiered rates?**

No. Sewer charges are assessed at a uniform rate.

### **How are commercial customers billed?**

All non-residential customers, including multi-family residential customers, are billed at the Tier 3 rate. Service charges depend on the size of the meter providing service. ([Click here for monthly rate table](#)).

### **Do business customers pay more for water and sewer services than residential users?**

Yes. In addition to having all water charged at the Tier 3 level, customers with larger size meters (a larger meter relates to a larger service line) pay water and sewer service charges that escalate with the size of the meter. ([Click here for service charge table](#))

### **Why are water and sewer rate increases necessary?**

While the City has gradually been increasing the water and sewer rates over the past several years in keeping with Council objectives, these increases have not been enough to cover the large capital projects that are required for the City to continue to provide both *adequate* and *safe* drinking water for our customers. Among the many water and sewer

capital projects are those which will provide additional finished water storage, add additional supply options and construct/expand treatment facilities to meet upcoming regulations. (For a list of the Capital Improvement Projects, [click here](#))

### **What do water and sewer service charges pay for?**

Service Charges cover the costs of keeping the systems “ready to serve” when the faucet is turned on or the toilet is flushed. Below is a breakdown of the specifics that service charges cover:

1. 100 % of the cost to read and maintain meters
2. 100 % of the Customer Billing and Service Division
3. 20 % of Public Works Engineering and Administration
4. 18 % of Department of Water Management Administration
5. 52 % of Water and Sewer Treasury functions (cashiering and collections)
6. 20 % of the Plant Maintenance Division functions
7. 20 % of Water and Sewer Laboratory Services
8. 10 % of the System Rehabilitation Program
9. 10 % of Water and Sewer Line Maintenance
10. 5 % of the Regulatory Compliance Division functions
11. 21 % of General Fund (services provided by other City departments in support of Water and Sewer Fund activities)
12. 47 % indirect costs
13. 15 % Rate Funded Capital Improvement Program (also funded by Capital Facility Fees and Revenue Bonds)
14. 20 % of Debt Service
15. Offset by 100 % of revenues collected from Late and Service Initiation Fees

### **What do water and sewer consumption/usage charges pay for?**

Consumption Charges cover operating costs not covered by service charges ([see: Service Charges, above](#)). Below is a list of those functions:

1. 100 % of Water Supply and Treatment operations
2. 100 % of Wastewater Reclamation Facility operations
3. 82 % of Department of Water Management Administration
4. 80 % of Public Works Engineering and Administration
5. 90 % of Water and Sewer Maintenance Division functions
6. 95 % of Regulatory Compliance Division functions
7. 90 % of System Rehabilitation Program
8. 80 % Plant Maintenance Division functions
9. 48 % of Water and Sewer Treasury functions (billing and collections)
10. 80 % of Water and Sewer Laboratory services
11. 79 % of General Fund (services provided by other City departments in support of Water and Sewer Fund activities)
12. 53 % indirect costs
13. 80 % Debt Service
14. 85 % of Rate Funded Capital Improvement Program (CIP)
15. Offset by Permit, Assessment and Frontage Fees and related interest

**What is an irrigation rate?**

The irrigation rate is assessed for water-only accounts that use drinking water solely for irrigation purposes; it is set at the Tier 5 level. During a typical spring and summer, Durham's water demand may increase by as much as 25 to 40 %. This extra demand on the system is primarily due to irrigation/landscaping uses. The irrigation rate passes the cost of the extra system demand on to those customers creating the demand. ([Click here for year-round irrigation schedule](#))

**Does the City have resources for customers that may not be able to pay their water and sewer bill?**

Yes. The City provides funding for the water and sewer hardship fund, which is administered by the Durham County Department of Social Services. Eligibility generally follows the same guidelines as other County emergency assistance programs. Families with children will qualify based on family size and income and may be referred from the City's customer service staff. For further information, visit Durham County Social Services at **300 N. Duke Street**, or call the Durham County Social Services main number (919) 560-8000. Adult eligibility will also follow the same guidelines as other County emergency assistance programs. Qualifying adults will be either disabled or elderly (62 years or older) and meet income eligibility. Adults may be referred from the City's customer service staff, visit Durham County Social Services at **220 E. Main Street**, or call the Durham County Social Services main number (919) 560-8000. Annually, about \$80,000 in hardship funds are provided under this program. City staff also maintains a list of other agencies that offer help to individuals and families.

**Does Durham use tax money to provide water and sewer services?**

No. Durham, like most municipal water and sewer providers, uses only those charges and fees generated from water and sewer customers to pay for the water and sewer systems. The water and sewer fund is managed as an "enterprise" fund. That is, it is self sufficient as if it were a stand-alone business enterprise.

**Why does the use of "one-time" revenues have an impact on the water and sewer rates?**

One-time revenues that the City once used to subsidize the water and sewer rates are no longer available. These revenues came primarily from use of water and sewer fund balance and from the sale of water to other localities. These revenues must be replaced by current charges and fees to fully recover the costs of providing the service. Also, these one-time revenues do not replace the necessity for current charges and fees to support system expenses, including debt service, as required by the revenue bonds issued by the City for water and sewer capital needs.

**What are revenue bonds and why are they issued?**

Revenue bonds are bonds issued by the City for the express purpose of funding water and sewer capital projects. Capital projects are construction, rehabilitation or replacement projects to the infrastructure of the water and sewer systems. Revenue bonds differ from General Obligation bonds issued by the City in that the City's general tax revenues are not pledged as a potential source to repay the bonds. Because only charges and fees generated by the water and sewer rates are pledged to repay the bonds, City taxpayers as a whole are not burdened by this debt and it does not count as debt against the City's ability to issue General Obligation Bond debt.

**What are revenue bond rate covenants and what is their connection to water and sewer rates?**

As noted above, revenue bonds that are issued to fund water and sewer infrastructure are not backed with City tax revenues. These bonds depend on the charges and fees collected from water and sewer customers. As such, bondholders generally require that the water and sewer rate structure be sufficient to provide for all system costs, including debt service. That is, current charges for services must cover the cost of those services. As the issuer of the bonds, the City agrees to a process that will assure the rate structure will be raised in order to provide for "coverage" of these costs if revenues drop below expenditures of the system. While water and sewer fund balance can be utilized to provide for a funding gap as a "one-time" revenue source, it cannot be utilized as a permanent source of on-going revenue and does not count as revenue for purposes of these bond rate covenants.

**What are fixed sewer consumption charges – also known as sewer only charges?**

Some customers are "sewer only" customers and do not have meters to read. These customers are charged a fixed fee based on the number of persons in the household. Annually, these customers must send in an affidavit on which they report the number of persons living in the household. If the affidavit is not received, the fixed charge will revert to the highest charge which is for a household size of four or more persons.

Fixed "Sewer Only" Consumption Charge – Billed Monthly (inside rate)	FY2011	FY2012
4 or more persons in household	\$29.52	\$29.52
3 persons in household	\$22.96	\$22.96
1 or 2 persons in household	\$16.40	\$16.40

*The monthly sewer service fee is added to the above sewer only charges.*

## **Water & Sewer Rate Trivia:**

“How is it that water, which is so useful that life is impossible without it, has such a low price – while diamonds, which are quite unnecessary, have such a high one?” – Adam Smith, Scottish philosopher and economist, 1776 (paradox of value)

75% of water utility customers at times buy bottled water at a price up to 1,000 times the price charged for safe tap water.

Important definitions:

*Cost* refers to the expense of producing and delivering a unit of water.

*Price* refers to the rate charged to a customer for the unit of water delivered. Prices or rates are based on costs because utilities strive to recover their capital and operating expenses.

*Value* is a more ambiguous concept; defined as the relative worth, merit, or importance of an object or thing. According to Oscar Wilde, “Some people know the price of everything and the value of nothing.”

Bi-monthly customer rate table (Single Family Residential) inside-city customers.

Bi-monthly Use 100 Cubic Feet (CCF)	Water Rate per 100 Cubic Feet	Sewer Rate per 100 Cubic Feet	Water &Sewer Rate per 100 Cubic Feet
Tier 1 0 - 4 CCF	\$1.73	\$3.56	\$5.29
Tier 2 > 4 - 10 CCF	\$2.60	\$3.56	\$6.16
Tier 3 > 10 - 16 CCF	\$2.85	\$3.56	\$6.41
Tier 4 > 16 - 30 CCF	\$3.72	\$3.56	\$7.28
Tier 5 Greater than 30 CCF	\$5.57	\$3.56	\$9.13
Irrigation Outdoor Use Rate per 100 Cubic Feet	\$5.57	N/A	\$5.57

Below is the rate structure for inside-city, non residential customers, billed monthly.

<b>Monthly Use 100 Cubic Feet (CCF)</b>	<b>Water Rate per 100 Cubic Feet</b>	<b>Sewer Rate per 100 Cubic Feet</b>	<b>Water &amp;Sewer Rate per 100 Cubic Feet</b>
Tier 3 All consumption	\$2.85	\$3.56	\$6.41
Irrigation Outdoor Use Rate per 100 Cubic Feet	\$5.57	N/A	\$5.57

The inside monthly service charges are related to meter size and shown below.

**Service Charge Table by Meter Size**

Meter Size	Water Service Charge	Sewer Service Charge	Water and Sewer Service Charge
5/8"	5.56	6.49	12.05
1"	13.29	15.42	28.71
1 1/2"	26.16	30.29	56.45
2"	41.61	48.14	89.75
3"	90.54	104.67	195.21
4"	154.91	179.04	333.95
6"	322.29	372.42	694.71
8"	463.91	536.04	999.95
Greater than 8"	747.16	863.29	1610.45